

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

AMERICAN INTERNATIONAL GROUP,)
INC., et al.,)
)
Plaintiffs,) No. 07 CV 2898
vs.)
) District Judge Robert W. Gettleman
ACE INA HOLDINGS, INC., et al.,)
) Magistrate Judge Sidney I. Schenkier
Defendants.)

SAFECO INSURANCE COMPANY OF AMERICA, et al., individually and on behalf of a class consisting of members of the National Workers Compensation Reinsurance Pool,)	
)	
)	
)	No. 09 CV 2026
)	
)	District Judge Robert W. Gettleman
Plaintiffs,)	
vs.)	Magistrate Judge Sidney I. Schenkier
)	
AMERICAN INTERNATIONAL GROUP, INC., et al.,)	
)	
)	
Defendants.)	

NOTICE OF FILING

TO: All Parties of Record (ECF Filing)

PLEASE TAKE NOTICE that on August 10, 2011, we filed with the United States District Court for the Northern District of Illinois the Demonstrative Exhibits which the Settlement Class Plaintiffs tendered to the Court in connection with the hearings of June 21, 2011 and July 25, 2011.

DATED: August 10, 2011

Respectfully submitted,

ACE INA HOLDINGS, INC., AUTO-
OWNERS INSURANCE CO., COMPANION
PROPERTY & CASUALTY INS. CO.,
FIRSTCOMP INSURANCE CO., THE
HARTFORD FINANCIAL SERVICES
GROUP, INC., TECHNOLOGY INSURANCE
CO., and THE TRAVELERS INDEMNITY
COMPANY

By /s/ Frederic R. Klein
One of Their Attorneys

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AMERICAN INTERNATIONAL GROUP,
INC., et al.,

By /s/ Stephen Novack
One of Their Attorneys

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(212) 849-7000

SAFECO INSURANCE COMPANY OF AMERICA, et al.,
v.
AMERICAN INTERNATIONAL GROUP, INC., et al.,

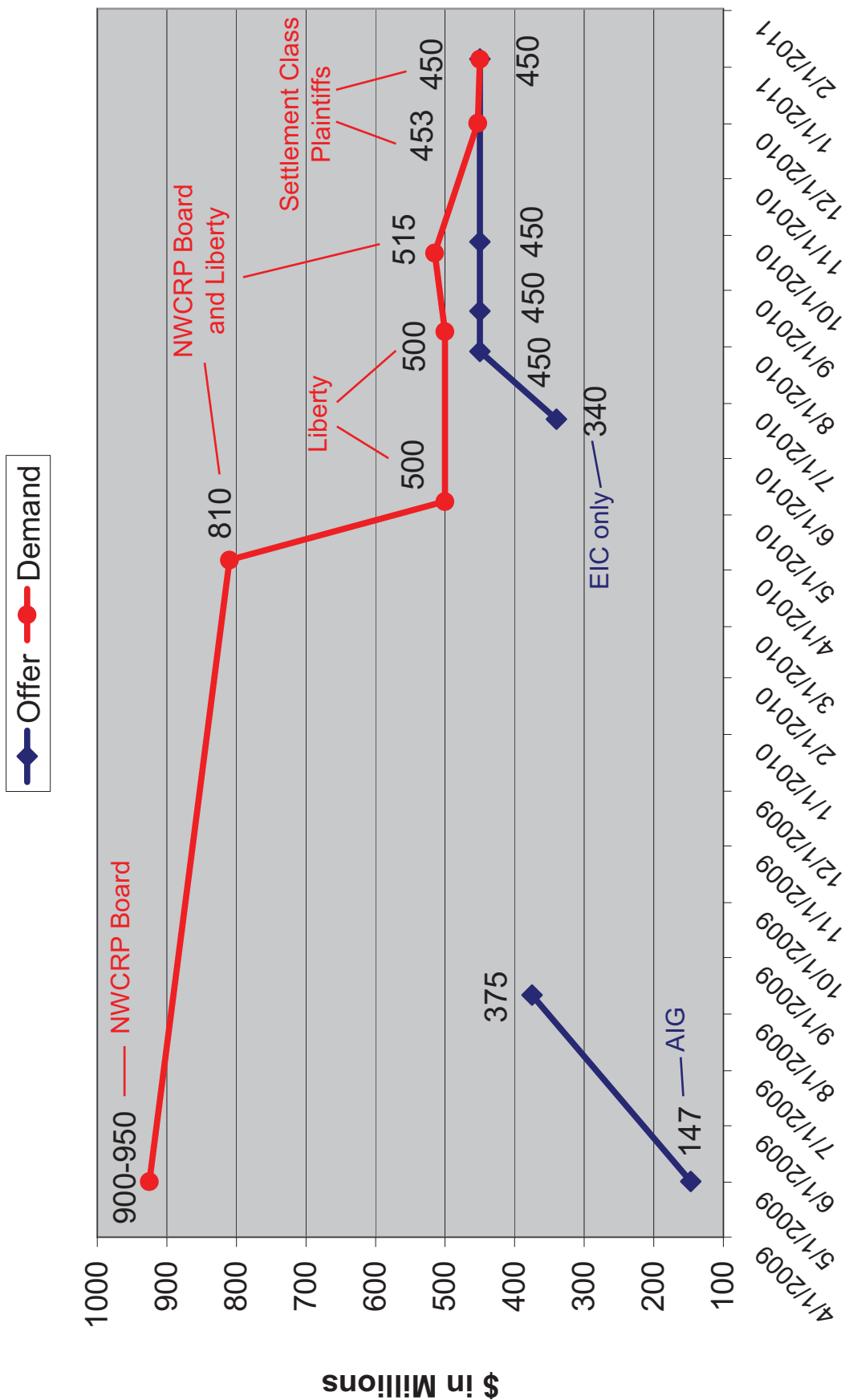
No. 09 CV 2026

Joint Motion for Class Certification
and Preliminary Approval of Class Action Settlement

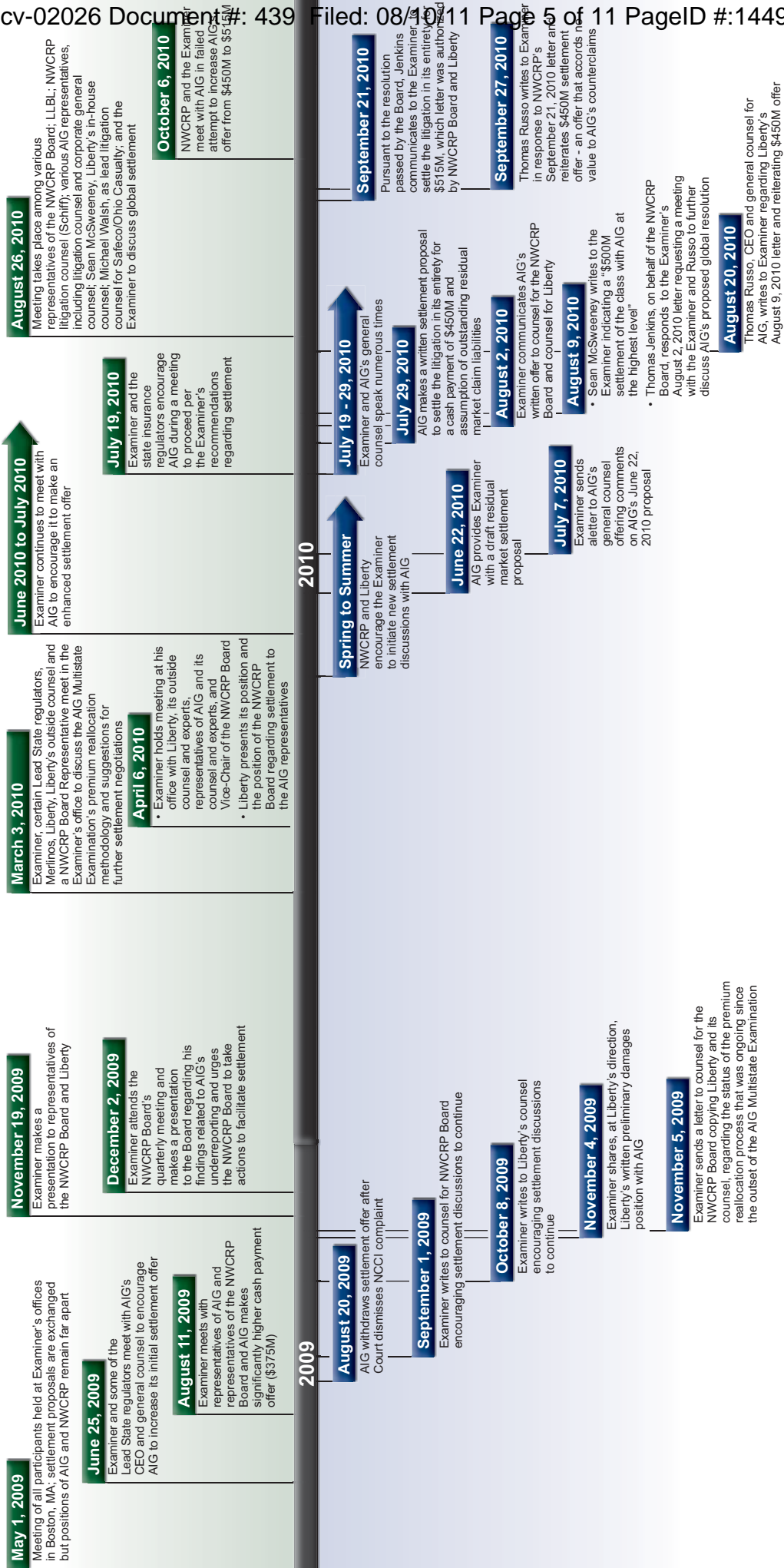
Index of Settlement Class Plaintiffs' Demonstrative Exhibits

1. **Settlement Negotiation History**
2. **Chronology of Examiner's Role in Procuring \$450M Settlement Offer**
3. **LLBL Presentation:**
"September 15, 2010 LLBL Board Presentation Analyzes Potential Damages from a Variety of Perspectives"
4. **Settlement Fund Pie Chart:**
"Prior to Issuance of Notice, Support for and Objections to \$450 Million Settlement Fund"
5. **James Morsch's December 31, 2010 Letter referring to "Liberty as class plaintiffs"**
6. **Liberty's April 29, 2011 Press Release:**
"Liberty Characterizes Safeco and Ohio Casualty As Liberty's Units"
7. **Thomas Russo's September 27, 2010 Letter:**
"On September 27, 2010, AIG's General Counsel Says \$450 Million Offer Is Not Discounted To Reflect Counterclaims"

Settlement Negotiation History



Chronology Of Examiner's Role In Procuring \$450M Settlement Offer



September 15, 2010 LLBL Board Presentation Analyzes Potential Damages From A Variety Of Perspectives



Claim Components/ Elements of Damage

- Legacy Period Core Damages
- Interest
- Non-Cash Burden (Cash Flow Model)
- Pre-Legacy Period (Before 1985)
- Post-Legacy Period (After 1996)
- Other Divisions (Outside 50 & 55)
- Assumed Reinsurance (No Calculations)
- *Note: RICO, Punitive, and Disgorgement damage claims are outside of the analysis and will be addressed separately. Areas not estimated by experts are also not included. Impact of state and year allocation is not included.*

Privileged and Confidential Attorney Client Communication and Work Product

Atlanta Austin Chicago Dallas Houston London Los Angeles New Orleans New York San Francisco Sacramento Washington DC

Locke Lord Bissell & Liddell

Risk Neutral Discounted Value

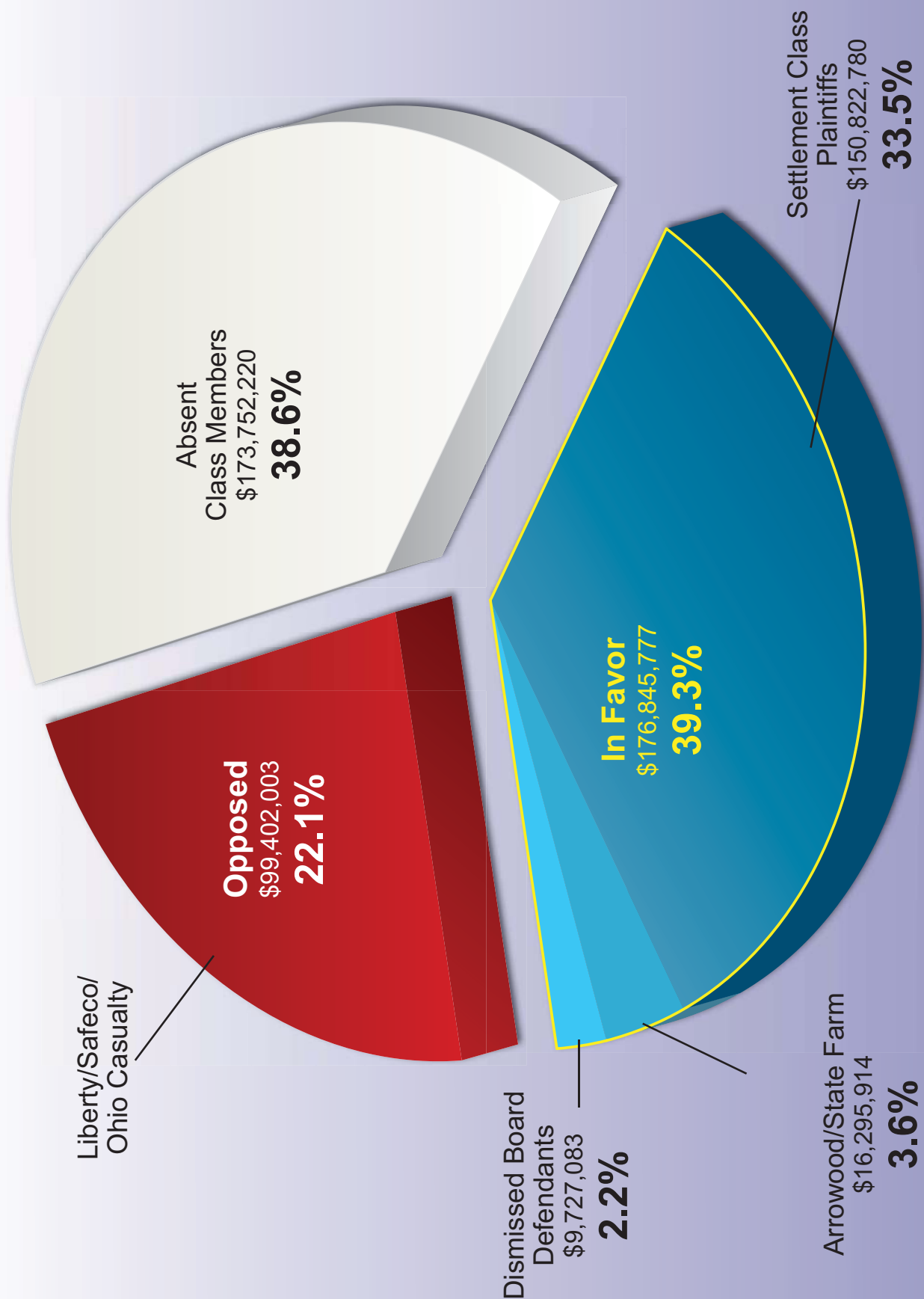
Expected Litigation Value	Applying Further Discount Factors	Discounted Value
1.405 Billion ("Cost of Capital")	.38	\$534 Million
903 Million (Cash Flow)	.38	\$343 Million
Range		\$343-534 Million
Midpoint		<u>\$ 439 Million</u>

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Locke Lord Bissell & Liddell

Prior To Issuance Of Notice, Support For And Objections To \$450 Million Settlement Fund



December 31, 2010 Letter From Liberty's Counsel Refers To Liberty As "Class Plaintiffs"

BUTLER RUBIN SALTARELLI & BOYD LLP

December 31, 2010
Butler Rubin Saltarelli & Boyd LLP
115 South LaSalle Street
Chicago, IL 60603
Thomas W. Jenkins
Locke Lord Bissell & Liddell LLP
115 South LaSalle Street
Chicago, IL 60603

BY FIRST CLASS U.S. MAIL AND ELECTRONIC MAIL

Re: American International Group, Inc., et al. v. ACE INA Holdings, et al.
Case No. 07 CV 2098

Dear Tom:

This letter is in further response to your letter dated as of November 30, 2010 regarding Liberty's concerns in respect to your continued representation of NWCRP and NCCL. Your letter dated November 30, 2010, stated that Liberty is not a party to the litigation and that members who are adverse to another Board Member, in this case Liberty, doing so would give rise to a clear conflict of interest for LLBL. As counsel to all Pool Board Members, including Liberty, LLBL has an ethical obligation to refrain from advising Members who are pursuing settlement over Liberty's objection.

I. LLBL Has an Attorney-Client Relationship with Liberty.

Your letter cites three cases to support your assertion that LLBL has no attorney-client relationship with Liberty. None of these cases has precedential effect in the Seventh Circuit. Courts in the Seventh Circuit, and specifically the Northern District of Illinois, have repeatedly reiterated that counsel to an unincorporated association represents the association, not its members. See, e.g., *Shurtz v. Shurtz*, 198 F.3d 1048, 1053 (7th Cir. 1999); *Shurtz v. Shurtz*, 198 F.3d 1048, 1053 (7th Cir. 1999); *Shurtz v. Shurtz*, 198 F.3d 1048, 1053 (7th Cir. 1999). (b) In effect had represented and benefited every franchisee, ... could reasonably believe that each of them was its client? *Shurtz v. Shurtz*, 198 F.3d 1048, 1053 (7th Cir. 1999). Liberty is an unincorporated cooperative was also the attorney for the cooperative's members; see *Shurtz v. Shurtz*, 198 F.3d 1048, 1053 (7th Cir. 1999). (c) Liberty is an unincorporated cooperative was also the attorney for the cooperative's members; see *Shurtz v. Shurtz*, 198 F.3d 1048, 1053 (7th Cir. 1999). (d) Liberty is an unincorporated cooperative was also the attorney for the cooperative's members; see *Shurtz v. Shurtz*, 198 F.3d 1048, 1053 (7th Cir. 1999).

At the Court has already found, the NWCRP has "no legal existence separate" from its members. See *Shurtz v. Shurtz*, 198 F.3d 1048, 1053 (7th Cir. 1999). At 11 (N.D., Ill. 2010). Liberty is an unincorporated cooperative was also the attorney for the cooperative's members; see *Shurtz v. Shurtz*, 198 F.3d 1048, 1053 (7th Cir. 1999).

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Thomas W. Jenkins
December 31, 2010
Page 2

III. The Attorney-Client Relationship between LLBL and Liberty Imposes an Ethical Obligation on LLBL to Recuse Itself.

Given the attorney-client relationship between LLBL and Liberty, LLBL may only represent NWCRP if (a) it reasonably believes its representation of Liberty will not be adversely affected by its conflict of interest and (b) Liberty consents to LLBL's representation in this case. See LLBL Rule of Professional Responsibility 1.7 (1990). LLBL could not reasonably believe that continuing to represent NWCRP in connection with a settlement over Liberty's objection would be in Liberty's best interests. Liberty's objection to the settlement over Liberty's objection does not consent to such representation. Liberty hereby states unequivocally that it does not consent to such representation.

Even if LLBL's assertions that no attorney-client relationship currently exists are accurate, Liberty's objection to the settlement over Liberty's objection is not a settlement over Liberty's objection or attempted intervention in the class action. See LLBL Rule of Professional Responsibility 1.9 (1990) ("A lawyer who has formerly represented a client in a matter shall not thereafter: (1) represent another person in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client, unless that person consents after consultation; (2) accept or continue representation of the client in the matter in which the conflict of interest has arisen. According to the NWCRP in this matter with Liberty's consent. Liberty will not consent to such representation so long as LLBL continues representing NWCRP in connection with such settlement efforts and/or intervention.

LLBL concludes by November 30 last by asserting that Liberty's ruling of a purported conflict at this time is the final word on the matter. This is not the case. Indeed, given that Liberty has just become aware that its interests and those of certain members of the NWCRP are now adverse in this case.

For the foregoing reasons, Liberty reiterates that LLBL cannot, in light of its ethical obligations, continue its representation of NWCRP in connection with the settlement over Liberty's objection and (b) pay attorney's fees to Liberty as class plaintiffs.

Sincerely,

James A. Morsch

James A. Morsch

BUTLER RUBIN SALTARELLI & BOYD LLP

December 31, 2010

* * *

This letter is in further response to your letter dated as of November 30, 2010 regarding Liberty's concerns in respect to your continued representation of NWCRP and NCCL.

For the foregoing reasons, Liberty reiterates that LLBL cannot, in light of its ethical obligations, continue its representation of NWCRP in connection with...
any effort to replace Liberty as class plaintiffs.

Sincerely,

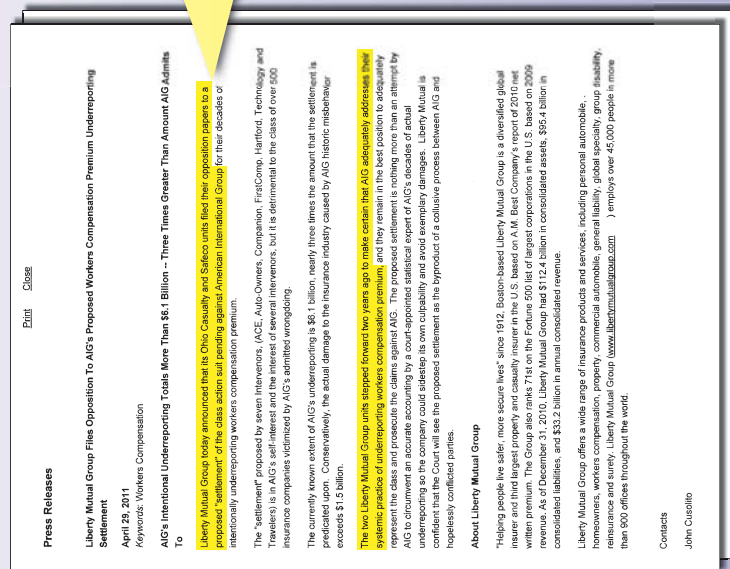
James A. Morsch

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Liberty Mutual Group today announced that its Ohio Casualty and Safeco units filed their opposition papers to a proposed “settlement” of the class action suit pending against American International Group...

* * *

The two Liberty Mutual Group units stepped forward two years ago to make certain that AIG adequately addresses their systemic practice of underreporting workers compensation premium...



Press Releases

Print Close

Liberty Mutual Group Files Opposition To AIG's Proposed Workers Compensation Premium Underreporting Settlement

April 29, 2011

Keywords: Workers Compensation

AIG's Intentional Underreporting Totals More Than \$6.1 Billion -- Three Times Greater Than Amount AIG Admits To

Liberty Mutual Group today announced that its Ohio Casualty and Safeco units filed their opposition papers to a proposed "settlement" of the class action suit pending against American International Group for their decades of intentionally underreporting workers compensation premium.

The "settlement" proposed by seven intervenors (ACE, Auto Owners, Companion, FirstComp, Hartford, Technology and Travelers) is in AIG's self-interest and the interest of several intervenors, but it is detrimental to the class of over \$200 insurance companies victimized by AIG's admitted wrongdoing.

The currently known extent of AIG's underreporting is \$6.1 billion, nearly three times the amount that the settlement is predicated upon. Conservatively, the actual damage to the insurance industry caused by AIG's historic underreporting exceeds \$13 billion.

The two Liberty Mutual Group units stepped forward two years ago to make certain that AIG adequately addressed their systemic practice of underreporting workers compensation premium, and they remain in the best position to adequately represent the class and prosecute the claims against AIG. The proposed settlement is nothing more than an attempt by AIG to circumvent an accurate accounting by a court-appointed statistical expert of AIG's decades of actual underreporting so the company could sidestep its own culpability and avoid exemplary damages. Liberty Mutual is pleased to announce that the proposed settlement is the product of a collaborative process between AIG and hopelessly conflicted parties.

About Liberty Mutual Group

"Hiding people live safer, more secure lives" since 1913, Boston-based Liberty Mutual Group is a diversified global insurer and third largest property and casualty insurer in the U.S. based on A.M. Best Company's report of 2010 net written premium. The Group also ranks 71st on the Fortune 500 list of largest corporations in the U.S. based on 2009 revenue. As of December 31, 2010, Liberty Mutual Group had \$112.4 billion in consolidated assets, \$66.4 billion in consolidated liabilities, and \$33.2 billion in annual consolidated revenue.

Liberty Mutual Group offers a wide range of insurance products and services, including personal automobile, commercial automobile, commercial liability, commercial property, general liability, group-term life insurance, reinsurance and surety. Liberty Mutual Group (www.libertymutualgroup.com) employs over 45,000 people in more than 500 offices throughout the world.

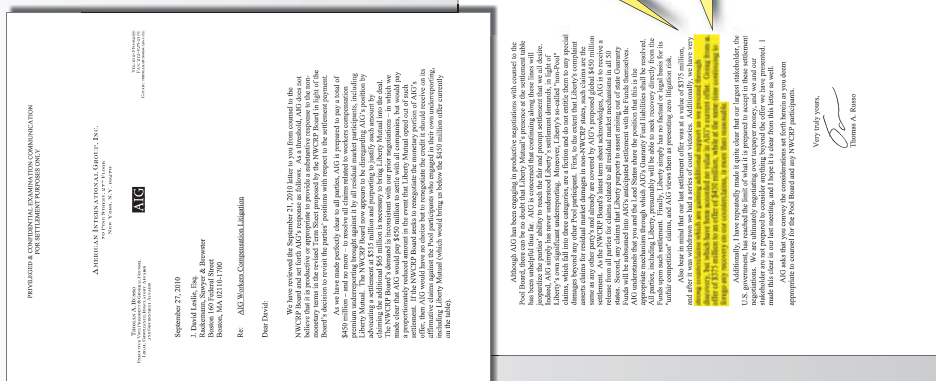
Contacts

John Cusillo

On September 27, 2010, ALG's General Counsel Says \$450 Million Offer Is Not Discounted To Reflect Counterclaims

...we have very strong counterclaims which are gaining additional support as we proceed through discovery but which have been accorded no value in ALG's current offer.

Going from an offer of \$375 million to an offer of \$450 million, while at the same time continuing to forego any recovery on our counterclaims, is more than reasonable.



CERTIFICATE OF SERVICE

The undersigned, an attorney, certifies that on August 10, 2011, he caused a true and correct copy of the Demonstrative Exhibits which the Settlement Class Plaintiffs tendered to the Court in connection with the hearings of June 21, 2011 and July 25, 2011 to be served upon the parties of record via the Court's ECF/electronic mailing system.

/s/ Frederic R. Klein